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S E C R E T SECTION 1 OF 3 QUITO 2476

E.O. 11652: GDS

TAGS: PFOR PINT PLOS EINV EC

SUBJ: THE GOVERNING SUPREME COUNCIL: ITS PERFORMANCE AND PROSPECTS

1. BEGIN SUMMARY: THE SUPREME COUNCIL WHICH REPLACED GENERAL RODRIGUEZ ON JANUARY 11 HAS TO DATE DONE A CREDITABLE JOB OF RUNNING THE COUNTRY. THERE ARE RIVALRIES WITHIN THE THREE-MAN COUNCIL AND THERE ARE VERTICAL AND HORIZONTAL DIVISIONS WITHIN THE COUNCIL'S POWER BASE, THE ARMED FORCES. A "DIALOGUE" WITH POLITICAL PARTIES AND SECTORS HAS THUS FAR BOUGHT THE MILITARY GOVERNMENT THREE MONTHS OF TRANQUILITY, BUT DISCORD IS LIKELY TO INCREASE WITH TIME. CURRENTLY, IT IS DIFFICULT TO SEE ANY ALTERNATIVE FORMATION OF A GOVERNMENT FROM AMONG THE MUCH-DIVIDED CIVILIAN POLITICIANS THAT WOULD BE ACCEPTABLE TO BOTH THE MILITARY AND THE "ESTABLISHMENT," AND BE ABLE TO UNITE AND RULE THE COUNTRY. BARRING UNFORESEEN ECONOMIC DISASTERS, THE NATIONALIZATION OF TEXACO-GULF IN THE NEAR FUTURE, OR TOO GREAT A DECLINE IN PUBLIC ORDER AND STABILITY, ECUADOR'S ECONOMIC PROSPECTS FOR THE BALANCE OF 1976 AND BEYOND APPEAR FAVORABLE. WE CANNOT PREDICT WHETHER THE MILITARY WILL IN FACT TURN OVER THE GOVERNMENT

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TO CIVILIANS AT THE END OF 1977 AS IT HAS PROMISED; IT SEEMS

MORE LIKELY THAT THE ARMED FORCES WILL CONTINUE TO PRESIDE, BEHIND THE SCENES OR FORMALLY, AS THE DOMINANT FORCE FOR SOME YEARS TO COME IN AN INHERENTLY UNSTABLE POLITICAL SYSTEM. THE INTERNAAL DISCORD AND TROUBLES THAT ECUADOR SEEMS DESTINED TO SUFFER DURING THE NEXT FEW YEARS WILL NOT BE WITHOUT SOME EFFECT ON US-ECUADOREAN RELATIONS, BUT THE RULING ECUADOREAN GOVERNMENT'S PERCEPTIONS REGARDING US TREATMENT OF ECUADOR WILL HAVE GREATER EFFECT ON THESE RELATIONS. CONTINUED OR NEW US ACTS CONSIDERED DISCRIMINATORY OR HARMFUL TO ECUADOR COULD HURT OUR RELATIONS MORE THAN INTERNAL STRIFE, SINCE THERE IS CONSIDERABLE CONSENSUS WITH RESPECT TO ECUADOR'S FOREIGN POLICY AMONG THOSE ECUADOREANS MOST LIKELY TO BE RULING THE COUNTRY. END SUMMARY.

2. THE SUPREME COUNCIL COMPOSED OF THE THREE SERVICE CHIEFS WHICH REPLACED GENERAL RODRIGUEZ ON JANUARY 11, 1976 HAS SO FAR SUCCESSFULLY PROJECTED THE IMAGE THAT IT TOOK POWER IN THE INTEREST OF STABILITY. IS SERIOUS AND BUSINESS-LIKE, AND INTENDS TO RETURN THE COUNTRY TO CIVILIAN CONSTITUTIONAL RULE WITHIN TWO YEARS. THE JUNTA, UNDER VICE ADMIRAL ALFREDO POVEDA'S LEADERSHIP, HAS DONE A CREDITABLE JOB THUS FAR IN RESTORING ORDER, MANAGING THE ECONOMY, AND PRAGMATICALLY DEALING WITH DAY-TO-DAY PROBLEMS.

3. THE COUNCIL MEMBERS OSTENSIBLY WORK IN HARMONY, BUT THERE IS EVIDENCE THAT STRONG RIVALRY PERSISTS WITHIN THE COUNCIL BETWEEN SUPREME COUNCIL PRESIDENT ADMIRAL POVEDA AND ARMY COMMANDER GENERAL DURAN. EACH MEMBER OF THE COUNCIL RELIES ON HIS OWN BRANCH OF SERVICE FOR SUPPORT. OF THE THREE MEMBERS OF THE COUNCIL, ONLY ADMIRAL POVEDA SEEMS SECURE IN HIS SERVICE'S LOYALTY. THOUGH NOT THOUGHT TO BE POPULAR PERSONALLY OR AS A MILITARY FIGURE, POVEDA IS HIGHLY RESPECTED FOR HIS ABILITY, REGARDED AS BEING DEDICATED TO THE NAVY AND AS COMMITTED TO ITS MODERNIZATION. THE NAVY, MOREOVER, IS THE MOST DISCIPLINED AND PROFESSIONAL OF THE THREE MILITARY BRANCHES. DURAN HEADS THE LARGEST AND MOST POWERFUL SERVICE, BUT IT IS THE MOST FRAGMENTED. OF PARTICULAR NOTE IS A DIFFERENCE BETWEEN GENERAL DURAN AND "THE COLONELS," WHO HAVE BEEN ABLE TO FORCE SPECIFIC APPOINTMENTS AND EXACT DEFERENCE TO THEIR CONCERNS AND INTERESTS. DIVISION WITHIN
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THE ARMY PREVENTED DURAN FROM REPLACING RODRIGUEZ AS THE SINGLE MILITARY LEADER OF THE COUNTRY, HAS KEPT HIM PREOCCUPIED, AND PREVENTED HIM FROM A MORE ASSERTIVE ROLE IN THE JUNTA. LEORO IS NOT WELL LIKED BY THE MAJORITY OF HIS OWN OFFICERS, WHO VIEW HIM AS OFFENSIVELY ARROGANT. IN THE RIVALRY BETWEEN DURAN AND POVEDA, THE LATTER MAINTAINS HIS TOP POSITION IN PART BECAUSE OF SURE SUPPORT OF A SMALLER BUT MORE UNIFIED SERVICE THAT CANCELS OUT DURAN'S SUPPORT FROM

THE STRONGER BUT MORE FRAGMENTED ARMY. THUS FAR LEORO HAS BEEN INSIGNIFICANT IN THE COMPETITION FOR DOMINANCE WITHIN THE JUNTA. WE BELIEVE THAT, THOUGH THERE ARE INTER-SERVICE RIVALRIES AND DIVISIONS IN THE ARMY BETWEEN GENERAL OFFICERS AND "THE COLONELS," THE PROPONDERANCE OF THE MILITARY LEADERSHIP REMAINS DESIROUS OF GOOD RELATIONS, ESPECIALLY MILITARY RELATIONS, WITH THE USG.

4. THE JUNTA THROUGH THE FORMAL "DIALOGUE" OF EIGHT SESSIONS WITH REPRESENTATIVES OF POLITICAL PARTIES AND VARIOUS SECTORS OF SOCIETY HAS THUS FAR SILENCED THE STRIDENT OPPOSITION TO THE MILITARY GOVERNMENT PREVALENT IN THE LAST DAYS OF THE RODRIGUEZ GOVERNMENT, AND HAS SHOWN ITS GOOD FAITH IN WORKING TOWARD RETURN TO CONSTITUTIONAL GOVERNMENT. IF AND WHEN THE JUNTA ANNOUNCES STEPS FOR RETURN TO CIVILIAN GOVERNMENT, IT CAN CLAIM ITS DECISIONS ARE BASED ON A CONSENSUS OF THE MAJORITY OF THE ECUADOREAN PEOPLE AS DISCERNED FROM THE DIALOGUE. IN ANY EVENT, ITS NEXT STEPS WILL BE CRUCIAL.

5. THE RESPONSE OF PARTICIPANTS IN THE DIALOGUE HAS VARIED ACCORDING TO THEIR PERCEIVED INTERESTS. THE COMMUNIST PARTY HAS CONDEMNED THE CURRENT GOVERNMENT'S EFFORTS TO RETURN TO WHAT IT REGARDS AS THE CORRUPT OLIGARCHICAL SYSTEM OF THE PAST, AND IS IN OPPOSITION TO THE SUPREME COUNCIL. THE SOCIALIST PARTY FACTIONS, LABOR ORGANIZATIONS, AND SELECTED SPOKESMEN FOR FARMER AND "BARRIO" ORGANIZATIONS HAVE ASKED THAT THE PROCESS OF RETURN TO CONSTITUTIONAL GOVERNMENT CEASE UNTIL THE MILITARY GOVERNMENT HAS PREPARED THE BASES FOR "TURN DEMOCRACY." THE VELASQUISTAS AND THE CONCENTRATION OF POPULAR FORCES (BUCARAM'S PARTY) HAVE ISSUED PRONOUNCEMENTS CALLING FOR THE IMMEDIATE RETURN OF THE GOVERNMENT TO THE PEOPLE THROUGH ELECTIONS. THE MIDDLE-CLASS CENTRIST, CONSERVATIVE, AND MORE ESTABLISHMENT PARTIES AND GROUPS SEEM INCLINED TO

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GO ALONG FOR THE TIME BEING WITH THE MILITARY GOVERNMENT(S) PROPOSED TWO-YEAR TRANSITION PERIOD. THE MOST DIFFICULT STAGE OF THE DIALOGUE HAS NOW BEEN REACHED: THE GOVERNMENT OF THE ARMED FORCES MUST STUDY AND REPLY TO THE VARIOUS GROUPS' PROPOSALS, AND MUST SET FORTH SPECIFIC STEPS TOWARD CONSTITUTIONAL, CIVILIAN RULE. THIS PROBABLY WILL BE DONE THROUGH AN APPOINTED COMMISSION THAT WILL MAKE RECOMMENDATIONS TO THE SUPREME COUNCIL.

6 THERE IS JUSTIFIABLE SKEPTICISM, WHICH WE SHARE, WHETHER THE ARMED FORCES CAN ACHIEVE THEIR DECLARED GOAL WITHIN THE TWO YEARS THEY HAVE ALLOTTED THEMSELVES. DURING ANY ELECTION CAMPAIGNS, AND AS THE TIME DRAWS NEAR FOR A TRANSFER OF POWER, THE EXCESSES, RIVALRY, AND DEMAGOGUERY ENDEMIC TO PAST ECUADOREAN POLITICS ARE LIKELY AGAIN TO

BECOME DOMINANT. THERE MAY ALSO BE INCREASING CONCERN AMONG POWERFUL ELEMENTS OF SOCIETY WHO HAVE A STAKE IN STABILITY AND ORDER ABOUT A RETURN TO CIVILIAN RULE, AND SOME OF THESE MAY URGE THAT THE ARMED FORCES CONTINUE IN POWER. AND WE KNOW THERE ARE THOSE IN THE ARMED FORCES WHO ARE OPPOSED TO TURNING OVER POWER TO CIVILIANS.

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7. THERE CURRENTLY SEEMS TO BE NO CANDIDATE WHO COULD WIN AN ELECTION AND ALSO UNITE THE COUNTRY. OF THE TWO POSSIBLE CANDIDATES WITH A MASS FOLLOWING, VELASCO IS OLD AND SAYS HE WILL NOT RUN, AND THERE IS NO REASON TO BELIEVE BUCARAM WOULD BE MORE ACCEPTABLE TO THE MILITARY AND THE "ESTABLISHMENT" IN 1978 THAN HE WAS IN 1972, WHEN THE THREAT OF HIS ELECTION MOTIVATED THE ARMED FORCES TO TAKE POWER. IN THE UNLIKELY EVENT THAT BUCARAM WERE PERMITTED TO RUN AND EVEN IF HE WON WITH A MAJORITY, HIS VICTORY WOULD BE DIVISIVE. IN ANY CASE, THE MILITARY WOULD BE UNLIKELY TO ACCEPT PASSIVELY ANY OUTCOME THAT WOULD SEEM TO THREATEN IT AS AN INSTITUTION. OTHER PARTIES APPEAR AS OF NOW TO HAVE LITTLE CHANCE OF ACHIEVING THE UNITY NECESSARY FOR AN EFFECTIVE COALITION OF POLITICAL FORCES TO RUN THE COUNTRY. THE APPARENT TREND IS THUS TOWARDS GREATER DIVISION, THE RECENT SPLIT OF THE CONSERVATIVE PARTY BEING BUT ONE INDICATION.

8. BARRING UNFORESEEN ECONOMIC DISASTERS, OR THE FORESEEN ONES THAT WOULD ARISE IF THE GOE WERE TO NATIONALIZE TEXACO-GULF'S OPERATIONS IN THE NEAR FUTURE, ECUADOR'S ECONOMIC PROSPECTS FOR THE BALANCE OF 1976 AND BEYOND APPEAR FAVORABLE. WITH OIL EXPORTS MOVING OUT RATHER STEADILY AND AT PRICES WELL ABOVE LAST YEAR'S, AND WITH IMPORT GROWTH BEING
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APPRECIABLY RESTRAINED BY SELECTIVE IMPORT CURBS, THE BALANCE OF TRADE IN PROBABLY RUNNING IN SURPLUS IN CONTRAST WITH A HEAVY DEFICIT AT THIS TIME LAST YEAR. INTERNATIONAL LENDING INSTITUTIONS AND PRIVATE BANKS CONSIDER ECUADOR TO BE RELATIVELY HIGHLY CREDIT-WORTHY, AND THE COUNTRY'S MORE PRESSING NEEDS FOR FOREIGN LOANS SEEM LIKELY TO BE MET. AGRICULTURAL PRODUCTION, WHILE VERY FAR FROM WHAT IT COULD BE, IS COVERING MOST ESSENTIAL NEEDS. INDUSTRIAL DEVELOPMENT IS PROCEEDING FITFULLY BUT CONTINUINGLY, WITH GOOD PROSPECTS FOR SUBSTANTIAL INCREASES IN DOMESTIC AND FOREIGN PRIVATE INVESTMENT SO LONG AS THE OVERALL POLITICAL SITUATION DOES NOT APPEAR TO BE VEERING TOWARDS DISINTEGRATION OR EXTREME LEFTISM AND SO LONG AS NATIONALIZATION OF THE OIL OPERATIONS DOES NOT APPEAR TO BE A REAL NEAR-TERM PROSPECT.

9. THE OUTLOOK FOR THE INTERNAL POLITICAL SCENE DURING THE NEXT TWO YEARS DOES NOT SEEM PROMISING. TO ATTAIN A SMOOTH TRANSITION TO CONSTITUTIONAL RULE THERE WILL BE NEEDED THE MOST ADROIT AND EXPERT LEADERSHIP, A SUFFICIENTLY UNIFIED AND SUPPORTIVE POWER BASE, A STATESMAN-LIKE PARTICIPATION BY CIVILIAN POLITICIANS, AND NOT ONLY GOOD MANAGEMENT BUT ALSO GOOD LUCK ON THE ECONOMIC FRONT. IF A SERIOUS EFFORT IS MADE BY THE MILITARY TO RETURN THE COUNTRY TO CONSTITUTIONAL RULE, AND SHOULD THE INSTABILITY THAT PREVAILED IN THE LAST DAYS OF THE RODRIGUEZ GOVERNMENT RECUR, THE MILITARY WOULD REACT. IT COULD THROW IN THE TOWEL AND DUMP THE PROBLEM ON THE CIVILIANS, OR IT COULD USE THE SITUATION AS A PRETEXT TO ESTABLISH STRONG RULE AND RETAIN POLITICAL POWER.

10. THERE ARE NOT A FEW WHO WOULD SUGGEST THAT THE LATTER IS EXACTLY WHAT POVEDA AND DURAN, BOTH AMBITIOUS MEN, ARE HOPING WILL HAPPEN. EACH WOULD PROBABLY LIKE TO BECOME THE SINGLE DOMINANT LEADER OF THE COUNTRY. THERE ARE ALSO AMBITIOUS MEN AMONG "THE COLONELS" WHO, LIKE THEIR CURRENT LEADERS, VIEW THE PRESIDENCY (RATHER THAN ANY STRICTLY MILITARY POSITION) AS THE PINNACLE OF A MILITARY CAREER. EXPERIENCE SUGGESTS THAT THESE MEN TOO ARE WAITING FOR CONDITIONS AND OPPORTUNITIES THAT WOULD PERMIT THEM TO FULFILL THEIR PERSONAL DESTINIES. AND THE PROCLIVITY TO ACTION AMONG THE AMBITIOUS MILITARY SEEMS TO OUTWEIGH THAT OF THE
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OFFICERS WHO OBJECT TO POLITICIZATION OF THE ARMED FORCES--
EVEN THOUGH THE LATTER OFFICERS WHO WANT THE ARMED FORCES
TO RESUME A PURELY PROFESSIONAL MILITARY ROLE ARE NOT
INSIGNIFICANT IN NUMBER.

11. USG INTERESTS WOULD PROBABLY BEST BE SERVED IF THE
SUPREME COUNCIL WERE TO BE SUCCESSFUL IN ESTABLISHING
A REPRESENTATIVE, RESPONSIVE, ACCOUNTABLE, DEMOCRATIC,
CIVILIAN AND CONSTITUTIONAL GOVERNMENT WITHIN THE NEXT
TWO YEARS, AS PLEDGED. HOWEVER, IT IS MUCH TOO EARLY
TO PREDICT WHETHER IN FACT THE MILITARY WILL TURN OVER THE
GOVERNMENT AT THE END OF 1977. THE TWO-YEAR ROAD TO CIVILIAN
RULE WILL BE ROCKY, WITH MANY POSSIBLE DETOURS TOWARD
DISCORD, IF NOT CHAOS. AND TURNING THE GOVERNMENT OVER
TO CIVILIANS, EITHER BEFORE THE END OF THE TWO-YEAR
PERIOD IN FRUSTRATION OR AT THE END OF A FAIRLY ORDERLY
TRANSITION, WOULD NOT GUARANTEE GOOD GOVERNMENT. UNLESS
OUTSTANDING AND UNIFYING CIVILIAN LEADERS EMERGE OUT OF
THE MILITARY'S PROPOSED TRANSITION PLAN, IT SEEMS LIKELY THE
ARMED FORCES WILL CONTINUE TO PRESEIDE, BEHIND THE SCENES
OR FORMALLY, AS THE DOMINANT FORCE FOR SOME YEARS TO COME
IN AN INHERENTLY UNSTABLE POLITICAL SYSTEM.

12. WHAT DO THESE POSSIBLE DEVELOPMENTS SIGNIFY FOR US.
INTERESTS IN ECUADOR DURING THE NEXT TWO YEARS? WHAT
EFFECT COULD THEY HAVE ON ECUADOR'S FOREIGN POLICY? THE
REMAINDER OF THIS MESSAGE WILL ADDRESS THE POSSIBLE IMPACT
OF THE PROJECTED INTERNAL POLITICAL SCENE ON US CONCERNS
AND ECUADOR'S INTERNATIONAL RELATIONS.

13. LOS AND FISH--ECUADOR, REGARDLESS OF WHATEVER TYPE OF
GOVERNMENT IS IN POWER, WILL CONTINUE TO CLAIM FULL SOVEREIGNTY
OUT TO 200 MILES, AND THE LESS SECURE THE GOVERNMENT THE
LESS ABLE IT WILL BE TO MAKE DEPARTURES FROM PAST POLICY
IN THIS AREA. SHOULD A COMPREHENSIVE LOS AGREEMENT BE
NEGOTIATED, ECUADOR WILL PROBABLY FIND SOME FORMULA TO
ALLOW IT TO ACCEPT IT IN PRACTICE BUT WITH A PUBLIC RESERVATION
ON ITS 200 MILES JURIDICAL POSITION. THE US. AND THE GOE
HAVE BEEN SEEKING A NEGOTIATED RESOLUTION OF THE TUNA
BOAT SEIZURES PROBLEM THROUGH A REGIONAL TUNA CONSERVATION
AGREEMENT DURING THE PAST YEAR. WE BELIEVE THAT CON-
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SIDERABLE PROGRESS HAD BEEN MADE. HOWEVER, AT CONSULTATIONS
OF A REGIONAL AGREEMENT IN NEW YORK IN LATE MARCH, THE GOE,

PUSHED BY THE PERUVIANS AND ECUADOREAN OPPOSITIONISTS, REVERTED TO THE UNACCEPTABLE POSITION IT HELD A YEAR AGO. THE SUCCESS WE ATTAINED IN AVOIDING SEIZURES DURING THE CURRENT TUNA SEASON AND THE MOVEMENT TOWARD CONSENSUS ON A REGIONAL FISHING ARRANGEMENT WERE DIRECTLY RELATED TO OUR RELATIONS TO THE ECUADOREAN MILITARY (PARTICULARLY TO ADMIRAL POVEDA) AND TO MILITARY ASSISTANCE WE HAD BEGUN PROVIDING. IT IS IN OUR INTERESTS IN THIS AREA OF CONCERN THAT ADMIRAL POVEDA CONTINUE AS A DOMINANT FIGURE IN THE GOVERNMENT, IT IS IMPROBABLE THAT AN ELECTED CIVILIAN GOVERNMENT WOULD HAVE AS MUCH LATITUDE IN ARRIVING AT REGIONAL AGREEMENT TO END OUR LONG-STANDING FISHING DISPUTE. THE TYPE OF ERRATIC BEHAVIOR DEMONSTRATED BY ECUADOR THIS PAST MONTH IN NEW YORK IS MORE LIKELY TO OCCUR SHOULD THE MILITARY GOVERNMENT'S CONTROL SLACKEN IN THE EFFORT TO RETURN TO CIVILIAN RULE, OR THE SUPREME COUNCIL BE REPLACED BY A LEADERSHIP LESS FAVORABLY DISPOSED TO GOOD RELATIONS WITH THE US.

14. PETROLUEM--IMMEDIATELY AFTER THE PRESENT GOVERNMENT CAME INTO POWER IT WAS WIDELY RUMORED THAT IT WOULD RETAIN THE INCUMBENT MINISTER OF NATURAL RESOURCES, COL. JAIME DUENAS, WHO IS KNOWN TO BE SYMPATHETIC TO THE NEEDS OF THE PRODUCING COMPANIES AND TO UNDERSTAND THAT THERE ARE BROAD AREAS OF COMMON INTEREST BETWEEN THE COMPANIES AND ECUADOR. NEVERTHELESS, AT THE LAST MINUTE AND INFLUENCED BY THE POWER OF THE SO-CALLED "COLONELS," DUENAS WAS NOT RETAINED AND THE FORMER CEPE CHIEF, COL. RENE VARGAS, BECAME MINISTER. VARGAS HAS LONG BEEN KNOWN TO FAVOR IMMEDIATE NATIONALIZATION OF TEXACO AND GULF DESPITE HIS AWARENESS THAT ECUADOR IS NOT ABLE TO SUPPLY THE TECHNOLOGY AND EXPERTISE NECESSARY FOR RUNNING THE WHOLE OPERATION. VARGAS THEREFORE IMMEDIATELY THREATENED TEXACO AND GULF WITH AN INCREASE IN GOVERNMENT TAKE IN AN EFFORT TO PROVOKE THE COMPANIES INTO OFFERING A NATIONALIZATION SCHEME. THIS THE COMPANIES HAVE NOT DONE BUT THEY HAVE FORMALLY TOLD THE GOVERNMENT THAT IF ACCOMMODATION TO THEIR FINANCIAL NEED IS NOT MADE IT WOULD BE WORTHWHILE TO DISCUSS OTHER FORMS OF RELATIONSHIPS--INCLUDING NATIONALIZATION. VARGAS' OWN POSITION SEEMS TO BE SLIPPING. HE HAS BEEN OVER-RULED SEVERAL TIMES BY THE SUPREME COUNCIL,

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E.G. WHEN HE WAS TOLD TO DROP THE PRICE, WHEN THE CABINET REJECTED HIS PROPOSAL FOR NATIONALIZATION, AND WHEN HE WAS TOLD TO RETRACT STATEMENTS HE HAD LEAKED TO THE PRESS. MOREOVER, ALTHOUGH PUBLIC CALLS STILL COME FROM STUDENTS AND LEFTISTS FOR NATIONALIZATION, RESPONSIBLE AND RESPECTED VOICES AGAINST EARLY NATIONALIZATION HAVE GAINED DOMINANCE IN THE PUBLIC DEBATE ON THIS SUBJECT.

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15. DISCUSSION AMONG GOVERNMENT OFFICIALS AS TO ECUADOR'S MEMBERSHIP IN OPEC CONTINUES. SUBSECRETARY FOR FOREIGN AFFAIRS AYALA TOLD THE DEPUTY SECRETARY ON MARCH 18 IN WASHINGTON THAT THE GOE WAS REVIEWING AND STUDYING ITS ASSOCIATION WITH OPEC. EVEN IF INFLUENTIAL GOVERNMENT OFFICIALS QUESTION THE VALUE OF THIS MEMBERSHIP, HOWEVER, IT IS DOUBTFUL WHETHER THIS OR ANY FUTURE ESSENTIALLY UNSTABLE GOVERNMENT IN ECUADOR COULD RISK WITHDRAWAL FROM OPEC IN THE SHORT RUN. OPEC REMAINS ONE OF ECUADOR'S IMPORTANT LINKS TO AT LEAST A PART OF THE THIRD WORLD, AND WITHDRAWAL WOULD ALMOST SURELY SPARK CRITICISM AND PROBABLY DEMONSTRATIONS BY STUDENTS AGAINST THE GOVERNMENT.

16. THEIR WORLD POSITION-IN ITS FIRST ANNOUNCEMENT ON JANUARY 11 THE JUNTA SAID IT WOULD MAINTAIN ALL OF THE GOE'S CURRENT INTERNATIONAL AGREEMENTS. IN SUBSEQUENT ANNOUNCEMENTS THE GOVERNMENT SAID THAT THE GOE'S FOREIGN POLICY WOULD REMAIN VIRTUALLY UNCHANGED. CONSCIOUS OF FELLOW-OPEC MEMBERS' VIEWS, DESIROUS OF BENEFICIAL RELATIONS WITH ITS NEIGHBORS AND OTHER "THIRD WORLD" COUNTRIES, AND WANTING BETTER TERMS FOR ITSELF AS A DEVELOPING COUNTRY, ECUADOR IS COMPELLED

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TOWARD A "THIRD WORLD" ORIENTATION. SHORTLY AFTER BEING SWORN IN AS FOREIGN MINISTER, ARMANDO PESANTES REPRESENTED ECUADOR AT THE MANILA MEETING OF THE GROUP OF 77 WHICH BEGAN FEBRUARY 2. AT THAT MEETING HE CONFIRMED ECUADOR'S SOLIDARITY WITH THE THIRD WORLD. ALSO AT THAT MEETING HE STRONGLY BLASTED THE US TRADE ACT AND OTHER DISCRIMINATORY MEASURES OF THE DEVELOPED COUNTRIES. IN GENERAL, WE HAVE SEEN NO INDICATION THAT THE CURRENT GOVERNMENT INTENDS TO CHANGE ITS POSITION MAINTAINING THIS POSTURE. ECUADOR AS A SMALL NATION PLACES GREAT VALUE ON INTERNATIONAL ORGANIZATIONS, ESPECIALLY THE UNITED NATIONS AND THE ORGANIZATION OF AMERICAN STATES, AND RELIZES THE ESSENTIALITY OF US PARTICIPATION IN SUCH FORUMS IF THEY ARE TO BE MEANINGFUL TO ECUADOR'S INTERESTS. BECAUSE OF THE IMPORTANCE THE MILITARY GOVERNMENT, ESPECIALLY UNDER POVEDA, HAS ATTACHED TO US. RELATIONS, ECUADOR INCREASINGLY HAS BEEN MODERATE AND PRAGMATIC IN SEEKING ITS "THIRD WORLD" GOALS. BECUASE ECUADOR RELIZES THAT ONE OF THE FEW "CHIPS" IT HAS IN DEALING WITH INDUSTRIALIZED NATIONS IS ITS POSITION IN INTERNATIONAL ORGANIZATIONS, WE CAN EXPECT GREATER DIFFICULTY IN INTERNATIONAL FORUMS IF THE ECUADOREAN GOVERNMENT DOES NOT BELIEVE THE USG IS BEING RESPONSIVE TO AND SUPPORTIVE OF ITS DEVELOPMENTAL NEEDS. NOT MATTER WHAT GOVERNMENT IS IN POWER IT WILL UTILIZE INTERNATIONAL ORGANIZATIONS TO ATTACK EXCLUSION OF ECUADOR FROM GSP. WE BELIEVE THAT ANY ECUADOREAN GOVERNMENT NOT RECEIVING WHAT IT PERCEIVES AS UNDERSTANDING AND HELP FROM THE US WOULD TEND TO BE MORE HOSTILE TO THE US IN INTERNATIONAL FORUMS, AND ESPECIALLY IF IT SIMULTANEOUSLY CONFRONTED A COMPETITIVE AND FLUID INTERNAL POLITICAL SITUATION IN WHICH IT WERE SUBJECT TO PUBLIC AND LEFTIST OR EXCESSIVELY NATIONALISTIC CRITICISMS.

17. WE ENJOYED GOOD RELATIONS WITH THE RODRIGUEZ GOVERNMENT, IN SPITE OF THE LOS, FISHING, TRADE ACT, IDB SOFT-LOANS, AND ECONOMIC AND MILITARY ASSISTANCE PROBLEMS, AND WE CONTINUE TO ENJOY GOOD RELATIONS WITH THE CURRENT GOVERNMENT. BARRING SOME RADICAL CHANGE IN THE POLITICAL ORIENTATION OF ECUADOR'S LEADERSHIP, WHICH WE DO NOT FORESEE, ECUADOR'S RELATIONS WITH THE UNITED STATES WILL BE LESS AFFECTED BY ITS INTERNAL POLITICAL SITUATION THAN BY THE MANNER IT BELIEVES THE USG IS TREATING ECUADOR. THERE IS, OF COURSE, THE

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POSSIBILITY THAT THE MORE OPEN AND COMPETITIVE THE INTERNAL SCENE, THE GREATER WOULD BE THE TENDENCY OF ANY ECUADOREAN GOVERNMENT TO REACT BY ADOPTING A MORE EXTREME "THIRD WORLD"

POSITION VIS A VIS THE US. AND, THE MORE COMPETITIVE THE INTERNAL POLITICAL SYSTEM THE MORE DIFFICULT IT MIGHT BE FOR ANY ECUADOREAN GOVERNMENT TO DEPART FROM LONG-HELD ECUADOREAN POLICIES, E.G. THE 200 MILE TERRITORIAL SEA CONCEPT. NEVERTHELESS, THE MOST PROBABLE SUCCESSORS TO THE SUPREME COUNCIL, BE THEY ELECTED (OR APPOINTED) CIVILIANS OR NEW MILITARY OFFICERS, WOULD PROBABLY DESIRE CLOSE RELATIONS WITH THE US. AND UNFRIENDLY ATTITUDE TOWARD THE US. WOULD MORE LIKELY RESULT FROM A FEELING THAT THE US. WAS TREATING ECUADOR UNJUSTLY BY CONTINUED AND NEW ACTIONS CONSIDERED DISCRIMINATORY AND HARMFUL TO ECUADOR'S DEVELOPMENT THAN AS A RESULT OF DOMESTIC POLITICAL HAPPENINGS.

18. RELATIONS WITH HER NEIGHBORS--THE EVENTS OF THE NEXT COUPLE YEARS PROBABLY WILL HAVE LITTLE IMPACT ON ECUADOREAN-COLOMBIAN RELATIONS. A DEMOCRATICALLY ELECTED GOVERNMENT IN ECUADOR MIGHT FEEL A LITTLE MORE AFFINITY TO THE COLOMBIAN GOVERNMENT, BUT THE BASIC PROBLEMS WOULD REMAIN. THESE REVOLVE PRIMARILY AROUND THE GREATER INDUSTRIAL DEVELOPMENT OF COLOMBIA AND ECUADOREAN CONCERN THAT IT NOT BE EXPLOITED BY COLOMBIAN ECONOMIC PENETRATION AND DOMINANCE.

19. PERU IS IMPORTANT TO ECUADOR ON THE LOS QUESTION AND THE TWO COUNTRIES TRY TO MAINTAIN A UNITED POSITION IN THIS AREA. PERU AND ECUADOR ALSO HAVE SIMILAR INTERESTS WITHIN THE ANDEAN PACT VIS A VIS COLOMBIA AND CHILE. NOTWITHSTANDING THESE AREAS OF COOPERATION, ECUADOR STILL REGARDS PERU WITH GREAT SUSPICION AND RESENTMENT BECAUSE OF PERU'S 1941 INVASION OF ECUADOR AND THE CONSEQUENT RIO PROTOCOL OF 1941, WHICH GAVE PERU ALMOST HALF OF THE TERRITORY PREVIOUSLY CLAIMED BY ECUADOR. ECUADOR HAS REJECTED THE PROTOCOL AND CLAIMS THE TERRITORIES AWARDED PERU RIGHTFULLY BELONG TO ECUADOR. WHEN NEWLY APPOINTED FOREIGN MINISTER ARMANDO PESANTES MADE HIS FIRST POLICY STATEMENT HE SAID THAT ONE OF THE PRIMARY FOREIGN POLICY OBJECTIVES OF THE NEW GOVERNMENT WOULD BE TO RECOVER LOST TERRITORIES IN A NEGOTIATED SETTLEMENT WITH PERU.

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20. EMBASSY OFFICERS HAVE BEEN INFORMED CONFIDENTIALLY BY GOE OFFICIALS THAT THE GOE HAS BEEN HOLDING SECRET TALKS WITH THE GOP ON THEIR FRONTIER PROBLEM, AND HAVE STATED WITH SATISFACTION THAT THE PERUVIANS HAVE ACKNOWLEDGED FOR THE FIRST TIME SINCE 1942 THAT A FRONTIER PROBLEM EXISTS. WE HAVE NO KNOWLEDGE OF THE FREQUENCY OR EXTENT OF TALKS ON THE BORDER QUESTION BUT BELIEVE THE DISCUSSIONS TO HAVE BEEN VERY LIMITED. ONE GOE OFFICIAL, HOWEVER, EXPLAINED THAT ONE REASON PESANTES INCLUDED IMPORTANT MENTION OF PERU IN HIS FOREIGN POLICY STATEMENT WAS SO THAT, SHOULD DISCUSSIONS COME

TO LIGHT, THE MILITARY GOVERNMENT COULD NOT BE ACCUSED OF A "SELL-OUT." AT THE SAME TIME THE FOREIGN OFFICE OFFICIALS SAID THAT ECUADOR, WITH THE PUBLIC PRECEDENT OF STATEMENTS MADE BY PREVIOUS PRESIDENTS, INCLUDING VELASCO IBARRA, WOULD BE WILLING TO ACCEPT A SETTLEMENT IN WHICH CUADOR RECOVERED ACCESS TO THE MARANON RIVER AND GAVE UP ITS CLAIM TO THE VAST MAJORITY OF DISPUTED LANDS CLAIMED IN THE REMAINDER OF THE AMAZON BASIN. IT IS DIFFICULT TO ENVISION A RETURN TO CIVILIAN GOVERNMENT FURTHERING THIS FOREIGN POLICY OBJECTIVE OF ECUADOR.

21. WE SEE WITH THE PRESENT GOVERNMENT A STRENGTHENING OF THE TIES OF ECUADOR WITH THE ANDEAN PACT. THE CURRENT MINISTER OF INDUSTRIES, COMMERCE AND INTEGRATION, GALO MONTANO, IS A FORMER TECHNICAL ADVISER TO THE PACT ORGANIZATION AND IS COMPLETELY DEDICATED TO THE IDEA OF REGIONAL ECONOMIC INTEGRATION. DURING THE RECENT MONTHS OF CRISIS WITHIN THE PACT, ECUADOR HAS PLAYED AN ACTIVE ROLE IN TRYING TO RESOLVE THE ORGANIZATION'S INTERNAL PROBLEMS, AND HAS BEEN SUCCESSFUL IN GETTING ONE OF ITS TOP NEGOTIATORS ELECTED TO THE ANDEAN COMMISSION.

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